

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 /081 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8639

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

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AMCONSUL HONG KONG

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PASS TREASURY, FEDERAL RESERVE, COMMERCE, CEA

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJ: 1974 NATIONAL ACCOUNT ESTIMATES FOR JAPAN

REF: A. TOKYO 16173, 12 DEC. 1974; B. TOKYO A-585, 10

SEPT 1974

SUMMARY: RECENTLY RELEASED NATIONAL ACCOUNTS ESTIMATES FOR

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1974 (WHICH ARE STILL SUBJECT TO FURTHER REVISION ESP.

LAST QUARTER 1974) SHOW REAL GNE FELL 1.8 PERCENT FROM 1973 LEVEL, A FAR SMALLER DECLINE IN REAL GROSS NATIONAL EXPENDITURE DURING YEAR THAN EARLIER ESTIMATES HAD INDICATED. CAUSE OF ENORMOUS UPWARD REVISION IN EARLIER GNE ESTIMATES WAS SHIFT FROM 1965 TO 1970 AS BASE FOR DEFULATOR AND BENCHMARK FOR OTHER DATA USED IN ESTIMATING NATIONAL ACCOUNTS. PRELIMINARY ESTIMATE FOR OCT-DEC 1974 SHOWS 0.4 PERCENT DECLINE IN REAL GNE FROM PRIOR QUARTER, WITH PRIVATE CONSUMPTION OFF 0.5 PERCENT AND INVESTMENT IN PRIVATE PLANT AND EQUIPMENT DOWN 5.6 PERCENT. EMBASSY WONDERS HOW THE NEW GOJ FIGURES AFFECT VALIDITY AND INTERNATIONAL COMPERABILITY OF RECENT OECD PUBLICATIONS AND FORECASTS. END SUMMARY.

1. GNE ESTIMATE BY ECONOMIC PLANNING AGENCY FOR CY 1974 SHOWS JAPAN'S REAL GNE DECLINED 1.8 PERCENT FROM 1973 LEVEL. ALTHOUGH THIS WAS FIRST POSTWAR YEAR-TO-YEAR DROP IN JAPAN'S GNE, DECLINE WAS FAR LESS THAN EARLIER ESTIMATES COVERING JAN-SEPT PERIOD INDICATED; PREVIOUS REAL GNE ESTIMATES FOR FIRST THREE QUARTERS (AT 1965 PRICES) WERE REVISED UPWARD WHEN NEW ESTIMATES USING 1970 PRICES AND DATA BASE WERE MADE. LATEST ESTIMATE SHOWS REAL PRIVATE CONSUMPTION ROSE 1.6 PERCENT AND PUBLIC CONSUMPTION ROSE 3.1 PERCENT IN 1974 WHEREAS GROSS DOMESTIC INVESTMENT DROPPED 10.0 PERCENT, WITH PRIVATE FIXED INVESTMENT DOWN 13.0 PERCENT.

2. EFFECT OF CHANGING DATA BENCHMARK AND PRICE BASE PRODUCES FOLLOWING REVISED ESTIMATES OF QUARTER-TO-QUARTER PERCENT CHANGES IN REAL GNE (SA) DURING 1974 (UNREVISED IN PAREN): JAN-MAR, MINUS 3.7 (MINUS 4.7); APRIL-JUNE, PLUS 1.8 (PLUS 0.7); JULY-SEPT, PLUS 0.8 (MINUS 0.2); OCT-DEC, MINUS 0.4. CUMULATIVE IMPACT OF REVISION IN DATA FOR FIRST THREE QUARTERS OF 1974 WAS SUBSTANTIAL. ON 1965 BASE PRELIMINARY ESTIMATES SHOWED REAL GNE FOR JAN-SEPT 1974 (SEASONALLY ADJUSTED AT ANNUAL RATES) AVERAGING 3.7 PERCENT BELOW CY 1973 (REF A); HOWEVER, REVISED ESTIMATES ON 1970 BASE INDICATE DECLINE WAS ONLY 1.9 PERCENT. EXTENSIVE NATURE OF REVISIONS REINFORCES VIEW THE INDUSTRIAL PRODUCTION INDEX TRENDS TO LIMITED OFFICIAL USE

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BE MORE RELIABLE GUIDE FOR MEASURING SHORT-TERM CHANGES IN THE VOLUME OF OUTPUT THAN PROVISIONAL GNP STATISTICS DURING A PERIOD OF RAPID INFLATION (REF B) ALTHOUGH THIS INDICATOR (LIKE GNP AS WELL) MUST BE CLOSELY EXAMINED IN RELATION TO INVENTORY ACCUMULATION/DECUMULATION FOR APPRAISAL OF DIRECTION OF ECONOMY.

3. EPA DIRECTOR NATIONAL EXPENDITURE SEC TOLD ASSIST

FINATT REVISIONS REFLECT BOTH CHANGE IN DEFLATOR BASE
(MOVING FROM 1965 TO 1970 PRICE BASE) AND MOVING DATA
BENCHMARK WITH I-O TABLES, NATIONAL WEALTH SURVEY, AND
CENSUS DATA (ALL NOW 1970 BASE). NEW DEFLATOR BASE AND
NEW BENCHMARK HAD APPROXIMATELY EQUAL IMPACT IN REVI-
SIONS. REVISED STATISTICS AND PREVIOUS ESTIMATES OF
ANNUAL PERCENT CHANGES IN NOMINAL AND REAL EXPENDITURE
ON GNP AND CHANGES IN GNP DEFLATOR ARE AS FOLLOWS:

PERCENT CHANGE

	1971	1972	1973	1974
GNP NOMINAL REVISED	12.0	14.0	22.9	18.6
OLD	11.7	14.4	24.1	

GNP REAL	REVISED	7.3	8.7	10.2	-1.8
OLD		6.8	8.9	10.5	

GNP DEFLATOR REVISED	4.4	4.8	11.5	20.8
OLD	4.6	5.0	11.9	

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CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

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INFO AMEMBASSY BERN

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REVISED ESTIMATES OF REAL GNE (1970 BASE) THROUGH FIRST QUARTER 1974 CAN BE OBTAINED FROM DEC 1974 ISSUED OF BOJ PUBLICATION QTE ECONOMIC STATISTICS MONTHLY UNQTE; DETAILED ANNUAL STATISTICS ARE SHOWN ON PP 181-182; SEASONALLY ADJUSTED QUARTERLY ESTIMATES ARE SHOWN ON PP 159-160.

4. FOURTH QUARTER DEVELOPMENTS: PRELIMINARY ESTIMATE OF JAPAN'S GROSS NATIONAL EXPENDITURE (GNE) IN OCT-DEC 1974 (SEASONALLY ADJUSTED AT ANNUAL RATES) INDICATES REAL LIMITED OFFICIAL USE

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GNE DECLINE OF 0.4 PERCENT FROM JULY-SEPT QUARTER. REAL PRIVATE CONSUMPTION DECREASED 0.5 PERCENT; REAL PRIVATE DOMESTIC INVESTMENT FELL 3.2 PERCENT FROM JULY-SEPT LEVEL AS 3.0 INCREASE IN PRIVATE RESIDENTIAL INVESTMENT WAS OUTWEIGHED BY 5.6 PERCENT DROP IN PRIVATE INVESTMENT IN PLANT AND EQUIPMENT. EMBASSY NOTES THAT FOURTH QUARTER INCREASES IN PRIVATE RESIDENTIAL INVESTMENT AND PUBLIC RESIDENTIAL INVESTMENT AND OTHER INVESTMENT WHICH ROSE 3.0, 5.1, AND 6.6 PERCENT, RESPECTIVELY, FROM THE PREVIOUS QUARTER INDICATE FISCAL/MONETARY MEASURES BY GOJ TO INCREASE HOUSING LOANS MAY BE HAVING POSITIVE IMPACT IN CUSHIONING CURRENT RECESSION.

5. FOLLOWING ARE LATEST EPA ESTIMATES OF PERCENT CHANGES IN JAPAN'S REAL NATIONAL ACCOUNTS (SA) FOR FOURTH QUARTER AND YEAR 1974 (M INDICATES DECLINE FROM PRIOR PERIOD):

	OCT-DEC 1974	(QTR-TO-QTR (YR-TO-YR	PCT CHGE)	PCT CHGE)
GROSS NATIONAL EXPENDITURE	M 0.4	M 1.8		
FINAL DOMESTIC DEMAND	M 0.6	M 3.1		
1. PRIVATE CONSUMPTION	M 0.5	1.6		
2. PUBLIC CONSUMPTION	0.0	3.1		
3. DOMESTIC INVESTMENT	3.7	M 10.0		
FIXED INVESTMENT	M 0.8	M 10.8		
PRIVATE FIXED INVESTMENT	M 3.2	M 10.1		
RESIDENTIAL	3.0	M 7.3		

PLANT & EQUIPMENT M 5.6 M 11.1

PUBLIC FIXED INVESTMENT 6.5 M 13.0

RESIDENTIAL 5.1 M 5.5

OTHER 6.6 M 13.3

INVENTORY CHANGE M 33.3 M 0.9

4. NET FACTOR PAYMENTS ABROAD 53.0 142.7

EXPORTS, ETC. 4.8 21.2

IMPORTS, ETC. M 3.6 12.2

6. EMBASSY WOULD APPRECIATE WASHINGTON AND USOECD COMMENT
ON EFFECT OF THESE LARGE REVISIONS OF GOJ DATA (AND GOJ
ADOPTION OF 1970 BASE PERIOD) ON VALIDITY AND INTERNATIONAL
COMPARABILITY OF DATA IN RECENT OECD PUBLICATIONS AND
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FORECASTS AS RECENTLY AS FEB. 4 (OECD 03728) GOJ REPS
APPARENTLY DID NOT DISAGREE WITH SECRETARIAT ESTIMATE THAT
JAPAN WOULD EXPERIENCE MINUS 3.75 REAL GROWTH OF GNP IN 1974
AND THIS PROJECTED DROP, THE LARGEST OF ANY OECD COUNTRY,
UNDoubtedly RESPONSIBLE FOR ESTIMATED NEGATIVE GROWTH FOR
OECD "BIG 7" AS GROUP. (INFORMATION PARAS 1 THRU 5 ABOVE
ARE UNCLASSIFIED.)
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